

**First Regular Session
Sixty-ninth General Assembly
STATE OF COLORADO**

PREAMENDED

*This Unofficial Version Includes Committee
Amendments Not Yet Adopted on Second Reading*

LLS NO. 13-0290.01 Bart Miller x2173

HOUSE BILL 13-1225

HOUSE SPONSORSHIP

Levy, Fischer

SENATE SPONSORSHIP

Kefalas and Nicholson,

House Committees

Business, Labor, Economic, & Workforce Development

Senate Committees

A BILL FOR AN ACT

101 **CONCERNING ADDITIONAL PROTECTIONS FOR HOMEOWNER'S**
102 **INSURANCE POLICYHOLDERS IN COLORADO, AND, IN**
103 **CONNECTION THEREWITH, ENACTING THE "HOMEOWNER'S**
104 **INSURANCE REFORM ACT OF 2013".**

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/billsummaries>.)

The bill makes the following changes to the laws regulating homeowner's insurance:

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
*Capital letters indicate new material to be added to existing statute.
Dashes through the words indicate deletions from existing statute.*

- ! Requires insurers to offer extended replacement coverage and law and ordinance coverage, with an explanation of the terms of this coverage;
- ! Requires insurers to include at least one year of additional living expense coverage and to offer a total of 24 months of additional living expense coverage, with an explanation of the terms of this coverage;
- ! Requires homeowner's insurance policies, endorsements, notifications, and summary disclosure forms be written in plain language and revised by January 1, 2015, to comply with this requirement;
- ! 2 years after initial issuance of a homeowner's insurance policy and no more than every 2 years thereafter, requires an insurer to provide policyholders with an updated estimate of replacement cost based on a construction inflation index and revalidate the replacement-cost estimate based on contact with the policyholder no more than every 4 years;
- ! Requires an insurer to consider an estimate from a homeowner's licensed contractor or licensed architect as the basis for establishing the replacement cost;
- ! Specifies that policyholders have the right to a written notification, at renewal, describing changes in their insurance contract language that are applicable to the renewal period;
- ! Requires insurers to provide an electronic or paper copy of the policyholder's insurance policy, including the declaration page and endorsements, within 3 business days after a request from an insured;
- ! With respect to contents coverage in total loss claims, requires insurers to:
 - ! Offer to pay 25% of contents coverage reflected in the policy declaration, subject to policy limitations, without requiring a contents inventory;
 - ! Provide the basis for depreciation when applicable; and
 - ! Allow the policyholder up to 180 days after a total loss claim to submit an inventory of lost or damaged property; and
 - ! Allow a policyholder up to 180 days after expiration of alternative living expense coverage to replace property and receive recoverable depreciation on that property.
- ! Upon request from a policyholder, requires an insurer to provide the components of the replacement-cost estimate

- for the insured property;
- ! Requires a summary disclosure to be given to policyholders annually, including statements that:
 - ! The policyholder is responsible for selecting the amount of coverage;
 - ! The policyholder is responsible for assessing improvements to the home and notifying the insurer;
 - ! The policyholder may purchase additional coverage with appropriate documentation; and
 - ! The policyholder should update the inventory of contents regularly and store the inventory off-site.
- ! Implements a continuing education requirement for insurance producers offering homeowner's insurance policies to take at least 3 hours of continuing education on homeowner coverages during a 2-year period.
- ! Makes void as against public policy terms in homeowner's insurance policies that require policyholders to sue insurers in cases of disputes within a shorter period of time than allowed for by the applicable statute of limitations.

1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1. Short title.** This act shall be known and may be
 3 cited as the "Homeowner's Insurance Reform Act of 2013".

4 **SECTION 2.** In Colorado Revised Statutes, 10-4-110.8, **amend**
 5 **(3); and add (6), (7), (8), (9), (10), (11), and (12) as follows:**

6 **10-4-110.8. Homeowner's insurance - prohibited and required**
 7 **practices - estimates of replacement value - additional living expense**
 8 **coverage - copies of policies - personal property contents coverage -**
 9 **inventory of personal property - definitions - rules.** (3) For the
 10 purposes of this section, unless the context otherwise requires:

11 (a) "ADDITIONAL LIVING EXPENSE COVERAGE" OR "ALE" COVERS
 12 INCREASED LIVING EXPENSES DURING THE TIME REQUIRED TO REPAIR OR
 13 REPLACE DAMAGE TO THE POLICYHOLDER'S DWELLING UNIT FOLLOWING
 14 AN INSURED LOSS OR, IF THE POLICYHOLDER PERMANENTLY RELOCATES,

1 THE TIME REQUIRED TO MOVE THE POLICYHOLDER'S HOUSEHOLD TO A NEW
2 LOCATION.

3 (a) (b) "Claim" includes a demand for payment of a benefit by the
4 insured, the payment of a covered benefit by an insurer, a loss reserve
5 established by the insurer, a loss adjustment expense incurred by the
6 insurer, or a payment made to the insured.

7 (c) "DWELLING" MEANS A SINGLE-FAMILY HOME, OTHER THAN A
8 MOBILE HOME, CONDOMINIUM, OR MANUFACTURED HOME, THAT IS USED
9 AS A PRIMARY RESIDENCE BY THE OWNER OF THE DWELLING.

10 (d) "EXTENDED REPLACEMENT COST COVERAGE" PAYS A
11 DESIGNATED AMOUNT ABOVE THE POLICY LIMIT TO REPLACE A DAMAGED
12 STRUCTURE IF NECESSARY UNDER CURRENT BUILDING CONDITIONS.

13 (b) (e) "Inquiry" means a request for information regarding the
14 terms, conditions, or coverages afforded under an insurance contract.

15 (f) "LAW AND ORDINANCE COVERAGE" MEANS COVERAGE FOR
16 INCREASED COSTS OF DEMOLITION, CONSTRUCTION, RENOVATION, OR
17 REPAIR ASSOCIATED WITH THE ENFORCEMENT OF BUILDING ORDINANCES
18 AND LAWS.

19 (g) "RECOVERABLE DEPRECIATION" MEANS THE DIFFERENCE
20 BETWEEN THE COST TO REPLACE INSURED PROPERTY AND THE ACTUAL
21 CASH VALUE OF THE PROPERTY.

22 (6) (a) BEFORE ISSUANCE OR RENEWAL OF A REPLACEMENT-COST
23 HOMEOWNER'S INSURANCE POLICY WHOSE DWELLING LIMIT IS EQUAL TO
24 OR GREATER THAN THE ESTIMATED REPLACEMENT COST OF THE
25 RESIDENCE, THE INSURER SHALL MAKE AVAILABLE TO AN APPLICANT THE
26 OPPORTUNITY TO OBTAIN EXTENDED REPLACEMENT-COST COVERAGE AND
27 LAW AND ORDINANCE COVERAGE. AT A MINIMUM, THE INSURER SHALL

1 MAKE AVAILABLE LAW AND ORDINANCE COVERAGE IN AN AMOUNT OF
2 INSURANCE EQUAL TO TEN PERCENT OF THE LIMIT OF THE INSURANCE FOR
3 THE DWELLING AND EXTENDED REPLACEMENT-COST COVERAGE IN AN
4 AMOUNT OF INSURANCE THAT IS AT LEAST TWENTY PERCENT OF THE LIMIT
5 OF THE INSURANCE FOR THE DWELLING. INFORMATION PROVIDED MUST BE
6 ACCOMPANIED BY AN EXPLANATION OF THE PURPOSE, TERMS, AND COST
7 OF THESE COVERAGES. THIS PARAGRAPH (a) DOES NOT APPLY TO ANY
8 HOMEOWNER'S INSURANCE POLICY THAT ALREADY INCLUDES EXTENDED
9 REPLACEMENT-COST COVERAGE AND LAW AND ORDINANCE COVERAGE IN
10 AMOUNTS GREATER THAN OR EQUAL TO THE AMOUNTS SPECIFIED IN THIS
11 PARAGRAPH (a).

12 (b) ALL HOMEOWNER'S INSURANCE REPLACEMENT COST POLICIES
13 FOR A DWELLING MUST INCLUDE ADDITIONAL LIVING EXPENSE COVERAGE.
14 THIS COVERAGE MUST BE AVAILABLE FOR A PERIOD OF AT LEAST TWELVE
15 MONTHS AND IS SUBJECT TO OTHER POLICY PROVISIONS. INSURERS SHALL
16 OFFER POLICYHOLDERS THE OPPORTUNITY TO PURCHASE A TOTAL OF
17 TWENTY-FOUR MONTHS OF ALE COVERAGE AND GIVE AN APPLICANT AN
18 EXPLANATION OF THE PURPOSE, TERMS, AND COST OF THIS COVERAGE.
19 THIS PARAGRAPH (b) DOES NOT APPLY TO ANY HOMEOWNER'S INSURANCE
20 POLICY THAT ALREADY INCLUDES AT LEAST TWENTY-FOUR MONTHS OF
21 ALE COVERAGE AS A STANDARD PROVISION.

22 (7) (a) THE TEXT OF ALL ENDORSEMENTS, SUMMARY DISCLOSURE
23 FORMS, AND HOMEOWNER'S INSURANCE POLICES FOR A DWELLING MUST
24 NOT EXCEED THE TENTH-GRADE READING LEVEL, AS MEASURED BY THE
25 FLESCH-KINCAID GRADE LEVEL FORMULA, OR MUST NOT SCORE LESS THAN
26 FIFTY AS MEASURED BY THE FLESCH READING EASE FORMULA. INSURERS
27 SHALL REVISE ALL HOMEOWNER'S INSURANCE POLICIES FOR A DWELLING

1 ISSUED OR RENEWED IN COLORADO ON OR AFTER JANUARY 1, 2015, TO
2 COMPLY WITH THIS SUBSECTION (7). THEREAFTER, ALL HOMEOWNER'S
3 INSURANCE POLICIES FOR A DWELLING MUST COMPLY WITH THIS
4 SUBSECTION (7).

5 (b) FOR THE PURPOSES OF THIS SUBSECTION (7):

6 (I) A CONTRACTION, HYPHENATED WORD, OR NUMBERS AND
7 LETTERS, WHEN SEPARATED BY SPACES, COUNT AS ONE WORD;

8 (II) A UNIT OF WORDS ENDING WITH A PERIOD, SEMICOLON, OR
9 COLON, BUT EXCLUDING HEADINGS AND CAPTIONS, COUNT AS A SENTENCE;
10 AND

11 (III) A SYLLABLE MEANS A UNIT OF SPOKEN LANGUAGE
12 CONSISTING OF ONE OR MORE LETTERS OF A WORD AS DIVIDED BY AN
13 ACCEPTED DICTIONARY. IF THE DICTIONARY SHOWS TWO OR MORE
14 EQUALLY ACCEPTABLE PRONUNCIATIONS OF A WORD, A PRONUNCIATION
15 CONTAINING FEWER SYLLABLES MAY BE USED.

16 (IV) "TEXT" INCLUDES ALL PRINTED MATTER EXCEPT THE
17 FOLLOWING:

18 (A) THE NAME AND ADDRESS OF THE INSURER; THE NAME,
19 NUMBER, OR TITLE OF THE POLICY; THE TABLE OF CONTENTS OR INDEX;
20 CAPTIONS AND SUBCAPTIONS; AND SPECIFICATION PAGES, SCHEDULES, OR
21 TABLES; AND

22 (B) ANY POLICY LANGUAGE THAT IS DRAFTED TO CONFORM TO THE
23 REQUIREMENTS OF A FEDERAL LAW OR REGULATION; ANY POLICY
24 LANGUAGE REQUIRED BY A COLLECTIVELY BARGAINED AGREEMENT; ANY
25 MEDICAL TERMINOLOGY; ANY WORDS THAT ARE DEFINED IN THE POLICY;
26 AND ANY POLICY LANGUAGE REQUIRED BY LAW OR REGULATION IF THE
27 INSURER IDENTIFIES THE LANGUAGE OR TERMINOLOGY EXCEPTED AND

1 CERTIFIES IN WRITING THAT THE LANGUAGE OR TERMINOLOGY IS ENTITLED
2 TO BE EXCEPTED.

3 (8) THE INSURER MUST CONSIDER, SUBJECT TO THE INSURER'S
4 UNDERWRITING REQUIREMENTS, AN ESTIMATE FROM A LICENSED
5 CONTRACTOR OR LICENSED ARCHITECT SUBMITTED BY THE POLICYHOLDER
6 AS THE BASIS FOR ESTABLISHING THE REPLACEMENT COST OF A DWELLING.

7 (9) AT RENEWAL OF A HOMEOWNER'S INSURANCE POLICY FOR A
8 DWELLING, THE INSURER SHALL PROVIDE WRITTEN NOTIFICATION TO THE
9 POLICYHOLDER DESCRIBING CHANGES IN INSURANCE POLICY LANGUAGE
10 THAT ARE APPLICABLE TO THAT RENEWAL PERIOD.

11 (10) EVERY HOMEOWNER'S INSURANCE CARRIER SHALL MAKE
12 AVAILABLE TO A POLICYHOLDER AN ELECTRONIC OR PAPER COPY OF THE
13 POLICYHOLDER'S INSURANCE POLICY, INCLUDING THE DECLARATION PAGE
14 AND ANY ENDORSEMENTS, WITHIN THREE BUSINESS DAYS AFTER A
15 REQUEST FROM THE POLICYHOLDER. THE POLICYHOLDER SHALL
16 DETERMINE THE METHOD OF DELIVERY.

17 (11) (a) IN THE EVENT OF A TOTAL LOSS OF THE CONTENTS OF A
18 DWELLING THAT WAS FURNISHED AT THE TIME OF LOSS, THE INSURER
19 SHALL OFFER THE POLICYHOLDER A MINIMUM OF THIRTY PERCENT OF THE
20 VALUE OF THE CONTENTS COVERAGE REFLECTED IN THE DECLARATION
21 PAGE OF THE HOMEOWNER'S POLICY WITHOUT REQUIRING SUBMITTAL OF
22 A WRITTEN INVENTORY OF THE CONTENTS. IN ORDER TO RECEIVE UP TO
23 THE FULL VALUE OF THE CONTENTS COVERAGE, THE POLICYHOLDER MAY
24 ACCEPT THE OFFER UNDER THIS PARAGRAPH (a) AND SUBMIT A WRITTEN
25 INVENTORY AS REQUIRED BY THE INSURER.

26 (b) IF THE POLICYHOLDER RECEIVES THE DEPRECIATED VALUE OF
27 CONTENTS INSURED UNDER A POLICY, THE INSURER MUST MAKE

1 AVAILABLE TO THE INSURED THE METHODOLOGY USED FOR DETERMINING
2 THE DEPRECIATED VALUE OF THE INSURED CONTENTS.

3 (c) (I) (A) EXCEPT AS SPECIFIED IN SUB-SUBPARAGRAPH (B) OF THIS
4 SUBPARAGRAPH (I), AN INSURER SHALL ALLOW THE POLICYHOLDER AT
5 LEAST ONE HUNDRED EIGHTY DAYS AFTER A TOTAL LOSS CLAIM TO SUBMIT
6 AN INVENTORY OF LOST OR DAMAGED PROPERTY.

7 (B) IN THE EVENT OF A DISASTER AS DECLARED BY THE GOVERNOR
8 THAT RESULTS IN THE TOTAL LOSS OF MULTIPLE DWELLINGS, THE PERIOD
9 SPECIFIED IN SUB-SUBPARAGRAPH (A) OF THIS SUBPARAGRAPH (I) IS
10 INCREASED TO TWO HUNDRED SEVENTY DAYS.

11 (II) AN INSURER SHALL ALLOW THE POLICYHOLDER AT LEAST ONE
12 HUNDRED EIGHTY DAYS AFTER EXPIRATION OF ALE TO REPLACE
13 PROPERTY AND RECEIVE RECOVERABLE DEPRECIATION ON THAT
14 PROPERTY.

15 (12) (a) NOTWITHSTANDING ANY PROVISION OF A HOMEOWNER'S
16 INSURANCE POLICY FOR A DWELLING THAT REQUIRES THE POLICYHOLDER
17 TO FILE SUIT AGAINST THE INSURER, IN THE CASE OF ANY DISPUTE, WITHIN
18 A PERIOD OF TIME THAT IS SHORTER THAN REQUIRED BY THE APPLICABLE
19 STATUTE OF LIMITATIONS PROVIDED BY LAW, A HOMEOWNER MAY FILE
20 SUCH A SUIT WITHIN THE PERIOD OF TIME ALLOWED BY THE APPLICABLE
21 STATUTE OF LIMITATIONS; EXCEPT THAT THIS PARAGRAPH (a):

22 (I) DOES NOT REVIVE A CAUSE OF ACTION THAT, AS OF THE
23 EFFECTIVE DATE OF THIS SUBSECTION (12), HAS ALREADY BEEN BARRED
24 BY CONTRACT; AND

25 (II) APPLIES ONLY TO A CAUSE OF ACTION THAT, AS OF THE
26 EFFECTIVE DATE OF THIS SUBSECTION (12), HAS NOT BEEN BARRED BY
27 CONTRACT.

1 (b) ON AND AFTER JANUARY 1, 2014, AN INSURER SHALL NOT
2 ISSUE OR RENEW A HOMEOWNER'S INSURANCE POLICY FOR A DWELLING
3 THAT REQUIRES THE POLICYHOLDER TO FILE SUIT AGAINST THE INSURER,
4 IN THE CASE OF ANY DISPUTE, WITHIN A PERIOD OF TIME THAT IS SHORTER
5 THAN REQUIRED BY THE APPLICABLE STATUTE OF LIMITATIONS PROVIDED
6 BY LAW.

7 **SECTION 3.** In Colorado Revised Statutes, 10-4-111, **amend** (3);
8 and **add** (3.5) as follows:

9 **10-4-111. Summary disclosure forms required.** (3) Every
10 insurer or its designated agent shall furnish the required disclosure form
11 to:

12 (a) Applicants for insurance coverage at the time of the initial
13 insurance purchase;

14 (b) ~~and thereafter on~~ POLICYHOLDERS OF any renewal policy when
15 there are changes in major coverages and exclusions or changes in factors
16 considered in cancellation, nonrenewal, and increase in premium
17 situations; AND

18 (c) HOMEOWNER'S INSURANCE POLICYHOLDERS AT LEAST
19 ANNUALLY.

20 (3.5) FOR REPLACEMENT-COST HOMEOWNER'S INSURANCE POLICIES
21 ISSUED OR RENEWED ON OR AFTER JANUARY 1, 2015, THE SUMMARY
22 DISCLOSURE FORM MUST INCLUDE THE FOLLOWING CLEAR AND
23 CONSPICUOUS STATEMENT, EXCEPT AS MODIFIED BY THE COMMISSIONER
24 BY A RULE PROMULGATED ON OR AFTER JANUARY 1, 2015:

25 THE POLICY LIMIT ON THE DECLARATION PAGE
26 REFLECTS THE INSURER'S ESTIMATE OF THE COST TO
27 REPLACE THE COVERED STRUCTURES. THERE IS NO

1 GUARANTEE IT WILL BE SUFFICIENT TO REBUILD YOUR
2 HOME. YOU, AS THE POLICYHOLDER, ARE SOLELY
3 RESPONSIBLE FOR DETERMINING WHETHER THE POLICY
4 LIMIT, TOGETHER WITH THE OTHER TERMS OF THE POLICY,
5 PROVIDES SUFFICIENT COVERAGE TO BOTH: (1) REBUILD THE
6 COVERED STRUCTURES IN ACCORDANCE WITH CURRENT
7 BUILDING CODES; AND (2) COMPLY WITH ANY APPLICABLE
8 MINIMUM COVERAGES SPECIFIED IN YOUR HOME MORTGAGE.

9 DO NOT CONFUSE MARKET VALUE OR APPRAISED
10 VALUE WITH THE COST TO REPLACE THE COVERED
11 STRUCTURES BY REBUILDING. REPLACEMENT COST MAY
12 EXCEED THE MARKET VALUE. YOU ARE RESPONSIBLE FOR
13 ASSESSING IMPROVEMENTS TO YOUR HOME AND NOTIFYING
14 THE AGENT OR COMPANY IN ORDER TO UPDATE THE
15 COVERAGE AMOUNT.

16 YOU MAY PURCHASE ADDITIONAL COVERAGE WITH
17 APPROPRIATE DOCUMENTATION.

18 WE STRONGLY ENCOURAGE YOU TO PREPARE AN
19 INVENTORY OF THE CONTENTS OF THE HOME AND
20 OUTBUILDINGS, AND UPDATE IT REGULARLY. IT IS
21 ADVISABLE TO STORE THE INVENTORY OFF-SITE OF THE
22 INSURED PROPERTY. VIDEOTAPING OR PHOTOGRAPHING IS
23 THE MOST RELIABLE WAY TO ASSURE ADEQUATE RECOVERY.

24 **SECTION 4.** In Colorado Revised Statutes, 10-2-301, **amend** (1)
25 as follows:

26 **10-2-301. Continuing education requirement - rules - advisory**
27 **committee.** (1) Producers not exempt from the requirements of this

1 section shall satisfactorily complete up to twenty-four hours of instruction
2 by attending ~~such~~ courses or programs of instruction ~~as may be~~ approved
3 by the commissioner. At least three of the twenty-four hours of
4 continuing education ~~shall~~ MUST be for courses in ethics. FOR PRODUCERS
5 AUTHORIZED TO SELL PROPERTY OR PERSONAL INSURANCE LINES OF
6 BUSINESS, AT LEAST THREE OF THE TWENTY-FOUR HOURS OF CONTINUING
7 EDUCATION MUST BE FOR COURSES IN HOMEOWNER'S INSURANCE
8 COVERAGE. The ~~insurance~~ commissioner may adopt rules concerning
9 testing requirements as a part of the certified continuing education. The
10 PRODUCER SHALL COMPLETE THE required hours of instruction ~~shall be~~
11 ~~completed~~ within twenty-four months after the date the producer's license
12 ~~is required to be renewed~~ RENEWS, beginning with renewal dates on or
13 after January 1, 1993. A producer may accumulate no more than twelve
14 carry-over credit hours during the one hundred twenty days before the
15 licensing continuation date. ~~Such~~ Carry-over credits ~~may be applied~~
16 APPLY to the next continuing education period. If a producer has more
17 than one license to sell insurance in this state, THE PRODUCER SHALL
18 COMPLETE the required hours of instruction ~~shall be completed~~ within
19 twenty-four months after the date OF RENEWAL OF the first ~~such~~ license.
20 ~~is required to be renewed~~. For good cause shown, the commissioner may
21 grant an extension of time, NOT EXCEEDING ONE ADDITIONAL YEAR,
22 within which to comply with ~~the requirements of~~ this section. ~~such~~
23 ~~extension not to exceed an additional one year~~. An instructor of an
24 approved course of instruction ~~shall qualify~~ QUALIFIES for the same
25 number of hours of continuing education as a person attending and
26 successfully completing the course or program, but ~~no~~ AN instructor shall
27 NOT receive credit more than once for a course or program given more

1 than once during the twenty-four-month period described in this
2 subsection (1).

3 **SECTION 5. Effective date.** This act takes effect January 1,
4 2014; except that section 10-4-110.8 (12), Colorado Revised Statutes, as
5 enacted in section 2 of this act, takes effect upon passage.

6 **SECTION 6. Safety clause.** The general assembly hereby finds,
7 determines, and declares that this act is necessary for the immediate
8 preservation of the public peace, health, and safety.